

PUBLIC DISCLOSURE DOCUMENT

April 22, 1996

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

BANK ONE
10-40-2520
31358

P.O. BOX 656
OKLAHOMA CITY, OKLAHOMA

Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial

institution.

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Bank One, Oklahoma City, Oklahoma, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency. Some of the data used in the report came from preliminary loan volume data and are approximate numbers based on information available as of the examination date.

The evaluation represents the Reserve Bank's current assessment and rating of the institution's CRA performance based on an examination conducted as of April 22, 1996. It does not reflect any activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the CRA of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the community in which it operates. The act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution or a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the supervisory agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

Assignment of Rating

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating: *Outstanding record of meeting community credit needs.*

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - *Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.*

(Conclusion/Support):

The bank continues its strong ascertainment efforts through the involvement of its officers and directors in a variety of civic, religious, economic, neighborhood and developmental organizations, some of which include: the Central Oklahoma Clearing House Association (ACOGHA®), Oklahoma City Northeast, Inc., Associated Catholic Charities, the Oklahoma City Chamber of Commerce and the South Oklahoma City Chamber of Commerce.

Management relies on an extensive officer call program to identify community credit needs within all areas of the bank's community. All officers must make at least four calls per month, one of which must be made in a low- or moderate-income census tract. The officer calls are documented on a special ACommunity Contact Questionnaire,@which details all information gleaned from the community contact. Subsequently, this information is reviewed by the CRA officer and the internal CRA committee to identify unmet credit needs. Bank officers have made over 2,800 calls, of which 790 were located in low- and moderate-income census tracts. Since February 1995, the bank has acquired 217 new business accounts, some of which include loan originations.

Similar to the officer call program, the bank utilizes an employee referral program to ascertain community credit needs. Employees are rewarded for referring new credit or deposit customers. As of January 1995, bank employees have produced over 1,000 credit product referrals, some of which include mortgage loans, home equity credit lines and automobile loans.

The credit needs most frequently identified through the bank's ascertainment processes focused on working capital, business lines of credit, and small business loans. In November of 1995, the bank responded by expanding its credit products to include Bank

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One's Business Line of Credit (BOBLOC®) for credit lines ranging from \$5 thousand to \$100 thousand and the Bank One Prestige Line of Credit for amounts over \$250 thousand. Since its inception, the Small Business Department has closed 39 BOBLOCs totaling over \$296 thousand.

The bank continues to utilize its internal CRA committee, which meets quarterly to further develop and monitor CRA initiatives and policies. The committee, which is directed by the president and CRA officer, discusses the bank's CRA performance based on information obtained from officer calls, marketing data, and geographic distribution reports. Committee members develop new products and services designed to address identified community credit needs. After the April 19, 1995 bombing of the Alfred P. Murrah Federal Building in downtown Oklahoma City, the Committee was instrumental in responding to affected individuals and businesses. Bank officers made over 200 in person calls in order to assist business and individuals with short term loans for rebuilding, relocation, furniture and food.

In order to gain even greater insight into community credit and development needs, the bank recently organized its Community Advisory Council (CAC). The CAC is comprised of nine actively involved individuals representing a diverse number of community organizations. Meeting quarterly, the CAC is a valuable ascertainment tool for the bank and provides differing and unique perspectives concerning community credit needs. In addition, the CAC approves all tax credit programs in which the bank participates. Members have also been helpful in identifying untapped loan and deposit markets.

Assessment Factor C - *The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the CRA.*

(Conclusion/Support):

Bank directors support and monitor the bank's CRA program. Members are involved in various community and economic development organizations, some of which include the Oklahoma City Chamber of Commerce, the South Oklahoma City Chamber of Commerce, the Economic Club of Oklahoma City and the Economic Development Program. Quarterly CRA loan reports are reviewed which detail the bank's lending activity for its conventional, governmental, and special loan programs. Directors produced nine credit product referrals since the last examination.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - *The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.*

(Conclusion/Support):

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A large share of the marketing program is controlled by the holding company in Columbus, Ohio. The holding company coordinates three A-branded campaigns which are nationwide in scope. During the remainder of the year, the bank addresses specific marketing concerns within its own community. The bank utilizes an advertising agency from Dallas, Texas, for a large part of its local advertising campaigns. The agency monitors the responses to its advertising and provides feedback to the bank.

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The bank uses several methods to market the availability of credit products and services to residents of its local communities. Local newspapers play an important role in the bank's efforts to promote credit products. Two weekly newspapers, the Black Chronicle and El Nacional, were used by the bank to target black and hispanic populations, respectively. The Daily Oklahoman is utilized most frequently by the bank because it has the highest readership in the Metropolitan Statistical Area ("MSA"). These publications were selected for purposes of targeting specific segments of the community and are readily available to persons in low- and moderate-income census tracts. The bank also regularly advertises in the Journal Record, a publication targeted at the business community. During the 1995 spring and fall marketing campaigns, the bank advertised in all four publications proportionally.

In addition to marketing in area newspapers, the bank placed radio and television advertisements promoting loan products and credit cards. Since the last examination, the bank placed 509 radio advertisements on eight radio stations, including two stations that serve the black and hispanic markets. The bank also ran 82 commercial segments on five local television stations advertising loan and deposit products.

The bank places general product and service advertisements on 62 outdoor billboards, 30 of which are located in low- and moderate-income census tracts. In addition, lobby brochures, posters, statement stuffers and the bank's 24-hour telephone access system are used to promote special loan and deposit products.

In November of 1994, the bank conducted a direct mail marketing campaign targeting under served areas of the bank's community, including low- and moderate census tracts. The mailing promoted \$1,500 unsecured loans with a 14 percent interest rate and a 3-year term. The bank mailed 5,717 applications to prospective loan customers, of which 1,419 were located in low- and moderate-income census tracts. While the customer response rate was less than anticipated at 1.3 percent, it demonstrates the bank's desire to reach all segments of its community. As a result, the bank originated 28 loans totaling \$42 thousand.

Assessment Factor I - *The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.*

BANK PROFILE

According to the bank's March 31, 1996 Consolidated Reports of Condition (ACall

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Report[®], the bank's assets totaled \$569,978M, of which loans constituted \$409,273M or 72 percent. The bank's loan-to-deposit ratio increased from 79.6 percent on March 31, 1995, to 86.2 percent on the same date in 1996, which is viewed as a positive trend for its CRA record.

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The bank's March 31, 1996 Call Report reflected the following loan distribution:

<u>Loan Type</u>	Amount (000s)	Percent of <u>Total</u>
Consumer	186,184	45
Nonfarm nonresidential real estate	59,512	15
1 - to 4-family real estate	49,103	12
Commercial	42,228	10
Home equity	31,776	8
Construction/Land development	20,167	5
Multifamily real estate	19,979	5
Other	<u>1,332</u>	<u>-</u>
Total	<u>410,281</u>	<u>100</u>

(Conclusion/Support):

The bank offers a wide range of conventional and government-guaranteed loan programs which are responsive to local community credit needs. The CRA statement itemizes loan and deposit products that are offered by the bank and its affiliates. These include various consumer, business, real estate, and special loan programs.

While the largest percentage of the bank's portfolio consists of consumer lending, the bank is also active in real estate and small business lending. Management indicated that the bank is one of the largest home construction originators in the Oklahoma City market. During the past year, the bank originated 295 construction loans totaling \$38 million. Many of these construction loans are eventually referred to the mortgage corporation for permanent financing.

Home improvement loans constituted the largest share of the bank's HMDA activity for 1994 and 1995. During this time, the bank originated 447 loans in 1994 and 295 loans in 1995 totaling over \$5.6 million. Management indicated that the majority of its home improvement loans originated were through the bank's 80 and 100 percent home equity lines of credit. Since the last examination, the bank originated 2,794 home equity credit lines equaling over \$59 million.

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The bank continues to participate in the COCHA loan pool program which provides home purchase and rehabilitation loans to low- and moderate-income borrowers. Since the last examination, the bank has participated in nine loans with a total participation of \$149,367.

Additionally, through Banc One Mortgage Corporation, the bank has originated approximately four loans under the community home buyers loan programs. These loan programs feature more flexible down payment requirements and debt service ratios. The mortgage company will soon be offering a new affordable housing loan program, which will feature a minimum 3 percent down payment, with as little as 1 percent from the borrower and the remainder from gifts, grants, premium pricing or an approved unsecured loan.

As mentioned earlier, the credit needs most frequently identified through the bank's ascertainment processes focused on working capital, business lines of credit, and small business loans. In addition to the development of the BOBLOC, the bank takes an active role in addressing these needs through its small business loan originations throughout the community. Approximately 1,950 new small business loans have been extended totaling over \$125 million.

The bank also participates in two local small business loan programs. The first program is the Self Employment Entrepreneurial Development System (ASEEDS®). Administered in conjunction with the Community Action Agency and the State Department of Commerce, this program provides education and loans to low- and moderate-income individuals interested in starting their own businesses. Applicants are required to complete a 12-week education course prior to submitting their business plan for approval. Since the last examination, the bank has made one loan totaling \$5,060 under this program. However, the CRA officer indicated that six additional business plans are awaiting final committee approval. The second loan program is the Oklahoma City Northeast Micro Loan Program ("OKCNE"). OKCNE is a four-bank small business loan program which provides working capital to businesses located in the northeast portion of the MSA. The maximum loan amount is \$10 thousand. Bank One committed \$30 thousand to this program in 1995 and \$20 thousand for 1996. Since the last examination, this organization has funded four loans equaling \$40,505.

Assessment Factor J - *The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.*

(Conclusion/Support):

The bank participates in governmentally-insured, guaranteed or subsidized loan programs for small business, housing and student loans. The bank increased its level

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of participation in Small Business Administration (SBA®) loan programs from two loans during the last examination to ten loans totaling \$215 thousand. Since the last examination, the bank now offers Federal Housing Administration (FHA®) and Veterans Administration (VA®) through Banc One Mortgage Corporation. As a result, the mortgage corporation originated 22 FHA loans and four VA loans equaling \$1,150,000 and \$215,000, respectively.

In October 1995, Bank One began participating in the Federal Stafford and Plus Guaranteed Student Loan programs. Marketing of the product began in December of 1995 with a mailing sent to 23 high schools and 27 colleges in the state. The bank also conducted on-site visits to each of the schools and colleges. Year-to-date, the bank has originated \$119,511 in student loans.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

(Conclusion/Support):

The bank's delineated community is comprised of 229 census tracts located throughout portions of Oklahoma, Cleveland, and McClain counties within the Oklahoma City Metropolitan Statistical Area (AMSA®). The community includes 225 populated census tracts, 35.1 percent of which are low- and moderate-income tracts. The delineation is a rectangular area encompassing the municipalities of Bethany, Del City, Edmond, Midwest City, Moore, Nichols Hills, Oklahoma City, and Warr Acres. Bank management determined the community based upon a combination of factors, including branch locations and the bank's effective lending territory. Given the size of the bank and its proximity to other financial institutions, the community is considered reasonable and does not exclude any low- and moderate income neighborhoods.

Assessment Factor E - *The geographic distribution of the institution's credit extensions, credit applications, and credit denials.*

(Conclusion/Support):

According to 1995 combined HMDA data for Bank One and Banc One Mortgage Corporation (The Bank®), a substantial majority of the bank's applications and originations are from within the delineated community. The geographic distribution analysis revealed that 78.9 percent of the applications and 79.2 percent of the originations are within the community, a slight decline from 79.1 and 79.7 percent, respectively, in 1994.

The bank's HMDA penetration in low- and moderate-income census tracts increased from 85 percent in 1994 to 91 percent in 1995. Although 35 percent of the bank's community is comprised of populated low- and moderate-income census tracts, 26 percent of its

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HMDA applications and 25 percent of its originations came from such tracts. While the bank's level of HMDA activity declined from 1994 to 1995, it continues to exceed the market as shown in the table on the following page.

HMDA REPORTED TRANSACTIONS WITHIN BANK ONE'S DELINEATED COMMUNITY						
Type	Percent of Transactions Within Delineated Community		Percent of Transactions Located in Low- and Moderate-Income Census Tracts		Percent of Market Transactions Located in Low- and Moderate-Income Census Tracts	
	1994	1995	1994	1995	1994	1995
Applications	79.1	78.9	32.0	26.0	18.9	***
Originations	79.7	79.2	30.0	25.0	16.0	***
*** Market figures for 1995 were not available at the time of the examination.						

A further review of the bank's 1994 and 1995 HMDA data reveals that the decline in the number of originations located in low- and moderate-income census tracts was primarily attributed to the home improvement loan category. The number of home improvement loans originated in low- and moderate-income census tracts declined from 133 in 1994 to 91 in 1995, a 32 percent decline. Management attributes the decline to several factors. First, Bank One was the first financial institution to offer 100 percent home equity loans in 1994. In late 1994 and throughout 1995, other financial institutions began offering this product, resulting in increased competition for these customers. Second, the very nature of the product hinders future lending opportunities. Because both home equity products are revolving lines of credit, many potential loan customers simply write additional checks from their equity line for home improvement or consumer purposes. Future uses of the equity lines for home improvement purposes cannot be reported on the bank's HMDA loan application register. Finally, the bank experienced a decline in loan production for a 2-month period following the bombing of the Federal Building in downtown Oklahoma City. An analysis of three financial institutions in the metropolitan area revealed similar or more severe declines in lending activity.

A substantial majority of the bank's consumer and small business loan originations are also located within the bank's delineated community. As the table on the following page reflects, over 80 percent of all loan originations were within the bank's community, except for the indirect vehicle loan category. Because auto applications are shopped by car dealers from across the state, this distribution is considered reasonable.

DISTRIBUTION OF BANK ONE CONSUMER AND SMALL BUSINESS LOANS AS OF DECEMBER 31, 1995					
Loan Type	# Loans	Within DC*		Outside DC*	
		#	%	#	%
Small Business	1,387	1,212	87.4	175	12.6
Direct Vehicle	2,239	1,892	84.5	347	15.5
Indirect Vehicle	3,886	1,885	48.5	2,001	51.5
Other Secured Consumer Loans	1,663	1,420	85.4	243	14.6
Other Unsecured Consumer Loans	1,556	1,301	83.6	255	16.4
* DC - Delineated Community					

The bank receives valuable loan and application distribution reports from Banc One Corporation's CRA research division. Quarterly distribution reports are analyzed by the bank's CRA officer and discussed with the internal CRA committee. Identified underserved areas are addressed through targeted mailings and marketing campaigns. According to the bank's own analysis, 36.4 percent of the small business loans under \$100,000 and 35.4 percent of the small business loans less than \$1 million are located within low- and moderate-income areas.

Assessment Factor G - *The institution's record of opening and closing offices and providing services at offices.*

(Conclusion/Support):

Bank One has not opened or closed any offices since the previous examination; however it has remodeled its Shepherd Mall location, providing greater access to bank customers. The bank currently operates seven offices and 25 automated teller machines (AATMs®)

throughout the area. Three of the bank's offices and nine of its ATMs are located within low- and moderate-income census tracts.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - *Any practices intended to discourage applications for types of credit set forth in the institution's CRA statement.*

(Conclusion/Support):

No practices were noted that would discourage applications for the types of credit the bank lists as available in its CRA statement. A review of bank policies, credit extensions and credit denials revealed no efforts to discourage loan applications. The bank does perform a secondary review on all denied mortgage-related applications. In addition, a second review is performed on all denied small business loans through the Texas Credit Group out of Bank One, Texas.

Assessment Factor F - *Evidence of prohibited discriminatory or other illegal credit practices.*

(Conclusion/Support):

The examination did not reveal any credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations. However, isolated violations of technical aspects of the Equal Credit Opportunity Act's Regulation B were noted.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - *The institution's participation, including investments, in local community development and redevelopment projects or programs.*

(Conclusion/Support):

The bank proactively supports community development and redevelopment efforts in a variety of ways. Bank officers, directors, and employees are involved in several private and governmental organizations that work to initiate and promote development efforts, which include but are not limited to the following: the Oklahoma City and South Oklahoma City Chamber of Commerce, the Oklahoma Finance Agency, COCHA, Oklahoma City Northeast, Inc., and SEEDS.

Addressing identified needs for working capital, the bank originated approximately 1,950 small business loans totaling over \$125 million. In addition, through its active participation in the SEEDS program and OKCNE, the bank has assisted low- and moderate-income individuals by providing small business loans for working capital, start-up, or expansion.

Working capital loans provided by the bank to community and housing development

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organizations and other private organizations have helped these entities purchase homes and multifamily rental units for rehabilitation and resale. This has aided the community by enabling the bank to indirectly make home purchase and rehabilitation loans, while also providing improved rental housing units, particularly in low- and moderate-income areas.

Since the last examination, the bank originated 24 loans totaling over \$22 million; ten of which are located in low- and moderate-income areas. Examples include the following:

Project	Purpose
Trail Oaks	Renovation of apartment complex at 122nd and May (LMI Area*)
Southwest Baptist Church	Church renovation (LMI Area*)
Silvercreek Apartments	Purchase and renovation of apartment complex (LMI Area*)
Paseo Plus	Renovation of apartments (LMI Area*)
1608 LLC	Office building renovation (LMI Area*)
Courtyard Apartments Ltd.	Renovation of apartment complex (LMI Area*)

* Low- and Moderate-Income Area

Through Banc One's Community Development Corporation (ACDC®) and Banc One Capital Corporation, the bank works to provide financing for affordable housing projects in exchange for low income housing tax credits. These Banc One affiliates provide the equity investment, while the bank provides the interim construction or permanent financing for the rehabilitation or construction project. Five tax credit programs located within the community are currently under consideration.

Assessment Factor K - *The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.*

COMMUNITY PROFILE

Bank One is comprised of seven banking offices located throughout the Oklahoma City MSA. The MSA includes ten counties, three of which are located within the bank's community delineation. The demographics and economics of the bank's delineated community are largely a microcosm of the MSA. The community's

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median family income is estimated to be \$32,383, similar to the MSA median family income of \$32,406. According to 1990 census data, the bank's community delineation includes a population of over 600,000 people, 29.6 percent of which is considered low- and moderate-income. Seventy-nine of the 225 populated census tracts located within the bank's community are low- and moderate-income.

Oklahoma City continues to emerge from the economic recession of the 1980's. During this time, the local economy was based primarily upon oil and gas production; however, a more diverse economic base has slowly developed. State government accounts for 23.5 percent of the Oklahoma City MSA's nonagricultural employment, employing over 37,400 people. Other major employers in the area include Tinker Air Force Base, the Oklahoma Health Center, Oklahoma City Public School System, American Telephone and Telegraph and General Motors Corporation. The Oklahoma City Chamber of Commerce recently announced the addition of over 5,765 new jobs for 1996, resulting from new business relocations and existing business expansions.

Affordable housing and housing trends within the delineated community mirror those of the MSA. Fifty-three percent of the 294,452 housing units within the community are owner occupied. The community's median housing age is slightly lower than the MSA, but a higher percentage of pre-1950 housing stock is also in the area.

(Conclusion/Support):

No impediments exist that may affect the bank's ability to meet community credit needs.

Assessment Factor L - *Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.*

(Conclusion/Support):

After the April 19, 1995 bombing of the Alfred Murrah Federal Building, bank officers, directors, and employees formed a disaster committee in order to provide relief and support for those affected individuals and businesses. During this time, bank officers attempted to contact over 200 individuals and businesses to provide loans, grants, food or furniture. In addition, the bank donated the use of its bank facilities to the Oklahoma Small Business Assistance Center for eight months following the bombing.

